

RIO BLANCO NATURAL GAS CO.

IBLA 74-216

Decided July 15, 1974

Appeal from a decision of the Colorado State Office, Bureau of Land Management, declaring that oil and gas lease C-1490 had terminated by operation of law.

Set aside and remanded.

Oil and Gas Leases: Extensions

When an oil and gas lease, extended beyond the primary term because of production, no longer has a well capable of producing oil or gas in paying quantities, the lease terminates by operation of law if within 60 days after cessation of production, no reworking or drilling operations are begun on the lease.

Rules of Practice: Appeals: Generally

Where the Bureau of Land Management has reached a decision without considering all the pertinent information, the decision will be set aside and remanded for further consideration.

APPEARANCES: Thomas W. Whittington, Esq., Tippit and Whittington, P.C., Denver, Colorado, for appellant.

OPINION BY ADMINISTRATIVE JUDGE STUEBING

Rio Blanco Natural Gas Company has appealed from the January 31, 1974, decision of the Colorado State Office, Bureau of Land Management (BLM), which declared that oil and gas lease C-1490 had terminated due to cessation of production.

The competitive lease was first issued on May 1, 1967, for a primary term of five years. The lease was subsequently committed

to a unit approved by the Director of the Geological Survey (USGS); the unit became effective on September 30, 1971.

The J. M. Huber No. 28-1 Federal Chancellor Well was completed as a producing well on February 27, 1972, on lands within lease C-1490. Subsequently, the lease account for C-1490 was transferred to the Casper, Wyoming, office of the USGS from the Colorado BLM office. The well produced oil and gas in paying quantities until October 1972; it was finally plugged and abandoned on March 1, 1973.

The January 31, 1974, decision of the Colorado State Office (BLM), which declared that oil and gas lease C-1490 had expired on March 1, 1973, was predicated on a finding that no drilling or reworking operations had commenced within 60 days of March 1, 1973, as required by 43 CFR 3107.3-1. The finding was based on information supplied by the Casper, Wyoming, office (USGS). The Colorado BLM Office was correct in stating that oil and gas leases which are in extended production will terminate by operation of law if diligent drilling or reworking operations are not commenced within sixty days of the cessation of production. 43 CFR 3107.3-1; Max Barash, 6 IBLA 179 (1972). However, it does not appear that the Colorado State Office (BLM) took cognizance of another well, the No. 20-1 Federal Gardner Well, located within the unit but not within lease C-1490. Appellant asserts that that well was spudded in on April 30, 1972, and that drilling was diligently pursued until June 8, 1972, when the well was plugged. Therefore, appellant asserts, the lease was extended beyond its primary term for two years, until April 30, 1974, pursuant to 43 CFR 3107.2-3. In support of this assertion appellant has submitted two letters it received from the USGS office at Denver, Colorado. The first letter, dated February 1, 1973, informed appellant that it had 60 days in which to begin drilling operations on lease C-1490, failing which, the lease would be terminated by operation of law. 43 CFR 3107.3-1. The second letter, dated February 9, 1973, stated that appellant should disregard the first letter; it further stated that lease C-1490 had been extended for two years due to drilling operations within the unit on April 30, 1972. 43 CFR 3107.2-3.

We have held in other cases that where the BLM fails to consider information which may have a significant effect on the disposition of a case, the decision will be set aside and remanded. See Joseph C. Bartas, 5 IBLA 415 (1972); cf. Continental Oil Co., A-24200 (May 11, 1950).

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision appealed from is set aside and remanded for further consideration.

Edward W. Stuebing
Administrative Judge

We concur.

Anne Poindexter Lewis
Administrative Judge

Frederick Fishman
Administrative Judge

